

September 8, 2020

Members of the Texas House Insurance Committee

Via email to Sergio.Cavazos_HC@house.texas.gov

Re: Interim charge regarding implementation of SB 442 and policy disclosures

Dear Chairman Lucio and Members of the Committee:

On behalf of the National Association of Mutual Insurance Companies (NAMIC),¹ thank you for the opportunity to provide comments on the interim charges of the Texas House Committee on Insurance.

This letter offers comments on the charge related to the implementation of Senate Bill 442 (86R), and specifically the portion of the charge which asks the committee to “[e]xamine the development of standardized disclosure forms for all insurance policies in Texas (health, homeowners, and personal auto) to provide more clarity to consumers about what the policy covers and any exclusions.”

NAMIC supported SB 442 because it provided important disclosures to policyholders while still protecting the insurance contract. SB 442 specifically addressed disclosures about flood coverage, an issue that had been highlighted by Hurricane Harvey. Critically, the bill also included language to provide that while the notice was required, its absence would not negate an exclusion in the policy (see Insurance Code Section 2002.103(e)).

Similarly, the legislature also passed House Bill 1555 last session, which allows an insurer to provide a summary of a residential property or personal auto policy without creating an argument that the summary modifies the actual terms of the policy. Without mandating anything, this bill removes one of the reasons insurers may have hesitated to provide summaries that would help their policyholders better understand various aspects of their policies. NAMIC supported HB 1555 and believes the approach in this bill is sound, and that policyholder requests for these types of

¹ NAMIC is the largest property and casualty insurance trade association in the country, with more than 1,400 member companies. NAMIC supports regional and local mutual insurance companies as well as some of the country’s largest national insurers. Nationally, NAMIC members companies write \$273 billion in annual premiums, and our members account for 58 percent of homeowners, 44 percent of automobile, and 30 percent of the business insurance markets. NAMIC has 243 member companies doing business in Texas.



House Insurance Committee
September 8, 2020

summaries will create a market in which some companies will both provide them and tailor them to the issues policyholders themselves demand.

Regarding the further development of standardized disclosure forms as alluded to in the charge, NAMIC would evaluate any particular proposal in the context of the issue involved. In general, though, it would be vital to ensure that the disclosure is for informational and educational purposes and not used as a means to alter the policy contract.

In addition, there is an important balance to consider with specific, mandated policy disclosures. One of the main arguments in support of these disclosures is that policyholders may not review the entire policy, and that certain provisions should be brought specifically to their attention. But not every provision in a policy can be highlighted, and each required disclosure diminishes to some extent the value of every other disclosure.

Thank you again for the opportunity to comment. Please feel free to contact me if I may provide additional information.

Sincerely,

Jon Schnautz
Regional Vice President
Southwest Region
National Association of Mutual Insurance Companies (NAMIC)